

MINUTES OF THE HOUSE COMMITTEE ON HIGHER EDUCATION.

The meeting was called to order by Chairperson Lisa Benlon at 3:35 p.m. on March 25, 2002 in Room 231-N of the Capitol.

All members were present except: Lana Gordon (A)
Valdenia Winn (E)

Committee staff present: Carolyn Rampey, Legislative Research
Jim Wilson, Revisor of Statutes
Dee Ann Woodson, Committee Secretary

Conferees appearing before the committee: Senator David Haley
Blanche Parks, Director of Learning Quest Program, State
Treasurer's Office
John Peterson representing Elizabeth Rambacher, American
Century Investments

Others attending: See attached list.

**SB 403 - Post-secondary savings program, elimination of two-year waiting period for withdrawal,
elimination of the state penalty on non-qualified withdrawal and exemption from creditors**

Chairperson Benlon opened the hearing on **SB 403**, and called upon Senator David Haley to testify as the first proponent on this bill. He handed out copies of an article that appeared in the Kansas City Star, Sunday, March 24, 2002. ([Attachment 1](#)) Senator Haley explained how this bill came about and the amendment he strongly supports for the passage of this legislation. His written testimony clarified what a family development account or an individual development account (I.D.A.) was, and who an I.D.A. benefits. The testimony also included the argument of why Kansas needs family development account programs, and the approximate cost of the program. He talked about the fiscal impact, and how this type of legislation encouraged citizens to establish and make contributions to a family post-secondary education savings account. He also shared with the Committee members a comparison with the State of Missouri, which is roughly three times larger in population, and the availability of a 50% tax credit which had reached a fiscal note of \$180,000 after four years of implementation. ([Attachment 2](#))

Committee questions regarded the fiscal note of \$0.5 million that Bureau of the Budget and Department of Revenue reported to Representative Tanner, and why those agencies would object to this bill. Representative Tanner expressed his concern that his amendment would cause the bill to be submerged when it reached the floor of the House. Representative Reardon inquired as to what the vote had been on the Senate side before the amendment went on the bill, and Senator Haley responded that it was a 40-0 vote. Representative Horst pointed out that the dollar amount of the total tax credits was revised, and asked what else had been changed. Senator Haley explained the three major changes contained in the amendment. Representative Horst requested clarification as to who would administer this program, how it would be handled in the smaller communities, and how the Federal poverty level is determined.

Senator Haley concluded his remarks by telling the Committee that he would not do anything that would jeopardize this program as all three of his children are enrolled in the Learning Quest Program. He added that he would not have any objection to having a reasonable cap being put on it since it will not be reached for many years.

The Chair asked Carolyn Rampey, Legislative Research Department, to give an overview on this bill. She explained the Learning Quest Program, and that individuals could receive a federal or state tax credit for opening an account for a beneficiary and the purpose of the money was to save for educational purposes, but the money could also be withdrawn for other things by paying a penalty. She said it had been in effect since July 1, 2000, and that Kansas had one of the very top programs. Ms. Rampey further explained that the bill came through the Legislative Educational Planning Committee, and was brought to that Committee by the State Treasurer due to a Federal tax law change and the need to conform our state law to

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federal law. She also talked about the protection the bill offers from bankruptcy and that the accounts would be shielded, and clarified the changes that the State Treasurer requested plus other changes that had been added to the bill. She added that Senator Haley's amendment was a floor amendment.

Blanche Parks, Director of Learning Quest Education Savings Program, State Treasurer's Department, testified in place of Assistant State Treasurer, Peggy Hanna, as the second proponent in support of this bill. She reviewed the highlights of the Kansas Learning Quest Education Savings Program which included that it was enacted by the Kansas Legislature in 1999, administered by the Kansas State Treasurer, and managed by the American Century Investment Company located in Kansas City, Missouri. Ms. Parks explained that the State Treasurer's Department were requesting six changes to the bill. She said that her written testimony also contained a balloon that referred to **SB 403**: KSA 2001 Supp 75-646(j) which is amended to restate the language in SB 403 to clarify that withdrawals made in the first 12 months after an account is opened are non-qualified, making them subject to the recapture of any tax deduction previously taken by a Kansas taxpayer on their state tax return. Ms. Parks also told the Committee members about the new sections 1 through 7 that were amended into this bill during floor debate in the Senate, and which were not requested by the Treasurer's office but on which they are neutral.

Ms. Parks concluded her testimony by sharing with the Committee members that the Kansas Learning Quest Education Savings Program had been quite successful, and was ranked by the *Kiplinger Magazine* in the "Tope 5 College Savings Programs in the Nation". She stated that the Treasurer's Department believed if **SB 403** as amended was passed, it would ensure that the Kansas Learning Quest Education Program would become even more successful and more beneficial to Kansans. (Attachment 3)

Committee questions and discussion involved staff clarifications on the new sections added in by the Senate regarding the federal poverty level in order to qualify for the program, the cap for the dollar amount of not exceeding \$25,000, penalty for early withdrawals, explanations of who could participate, and fiscal note implications.

John Peterson spoke briefly before the Committee and submitted Elizabeth Rambacher's written testimony since she was unable to appear in person before the Committee. Ms. Rambacher is the Learning Quest Program Manager for American Century Investments in Kansas City. In Ms. Rambacher's written testimony she explained that American Century acts as financial depository, record keeper and investment manager for thousands of persons, and markets the program to anyone interested in saving for post-secondary education. She also gave a brief overview of her company. Ms. Rambacher's testimony stated that the changes would improve an already excellent Kansas law and help to continue the program as one of the finest state-sponsored education savings programs in the nation. (Attachment 4)

Chairperson Benlon noted that there were no opponents appearing before the Committee to testify, and she closed the hearing on **SB 403**.

Representative Tanner made a motion to strike the first seven sections from this bill and return it to its original form as it came out of LEPC. Representative Krehbiel seconded the motion.

The Chair opened the floor for discussion of the motion. Representative Reardon stated he opposed the motion, and expressed concern that the bill was at more of a risk in its original form than by removing the first seven sections. He felt that the amendment was not damaging, that this was in effect a state-wide pilot program, and it had passed the Senate on a 40-0 vote. Representative Horst expressed her hesitancy on making tax law in an education committee. Representative Sloan stated that he did not have any objection to this bill except for the date that it becomes effective, and would make a motion to that effect if Representative Tanner's motion failed. He suggested that the effective date should be changed to start in 2004 in hopes for a better economy at that time.

Committee comments and discussion continued with concerns expressed about the bill being referred to a Conference Committee if this Higher Education Committee did not agree with it and pass it out, and how the program would be run and administered in regard to the community-based organization control aspect. Representative McLeland talked about his apprehension regarding page 3, line 20, and the 20% of all the reserve funds could be used for the administrative costs of the program in the first and second years of the program, and no more than 15% of such funds may be used in any subsequent year. He said he thought that was too high.

Representative Tanner closed on his motion. The Chair called for a vote, there being eight (8) for and six (6) against, the motion carried.

Representative Tanner made a motion to adopt the State Treasurer's balloon to SB 403. The motion was seconded by Representative Reardon, and the motion carried.

Representative Sloan made a motion to pass SB 403 out favorably as amended, seconded by Representative Pottorff, and the motion carried.

Jim Wilson, Revisor's Office, clarified the change that was done on the floor of the Senate. The Chair asked the Committee members if anyone had an objection to leaving that change in, and there was no objection to this change.

Chairperson Benlon called the Committee's attention to **HB 2956** for consideration and possible action.

Representative Storm made a motion to amend HB 2956 by adding that no institution of higher education would be required to take more than three new students in any given year. She stated that no institution would have more than twelve students on this program at any one time, and this possibly would relieve some of the Regent's concerns. The motion was seconded by Representative Kuether.

Representative Horst expressed her concerns referencing page 1, line 17 through 21 referring to all schools and whether the small schools would have the same required amount as the large institutions.

Representative Storm replied that if they were going to make it different or increase it for the large schools that three were not very many. Representative Horst said she was concerned about the funding issue even for three students in the smaller schools. Carolyn Rampey, Legislative Research Department, explained that this was a reimbursement program, and it was like other programs the state had plus it was subject to appropriations by the KBOR. Jim Wilson, Revisor's Office, clarified that if the Kansas institutions' had the funding for this program and if they can't cover it with their own funds or reserves there would be some opportunity for an out. He added with the larger institutions it would be difficult for them to argue they couldn't cover the costs because it is for tuition, undergraduate fees, lab fees and not living expenses.

Representative Tafanelli shared his misgivings about this bill and putting such a burden on the schools for the foster care students. He said he thought it was a band-aid approach to solving the problems of foster care. Representative Wells imparted that he felt there were a lot of low income kids from one parent homes that also should receive assistance, and there were a lot of kids that have to work their way through school. He added that he didn't think it was right, and the foster care children have the opportunity for grants or other scholarships to assist in furthering their education.

Representative Storm responded that this bill required that the students work, and that the children are not given money to carry around. She also added that the children are moved around so much that their high schools don't pick up on what their skills or interests are.

Representative Cook offered a substitute motion in order to offer a compromise by taking out the state institutions and leaving in community colleges and vocational technical schools. She stated that it would be less expensive and it was a good starting point for those kids, and she wanted to leave in the limitation of three students per year per institution. Representative Phelps said he would second the motion for purposes of discussion.

Representative Reardon pointed out that he appreciated Representative Cook offering a compromised solution, but questioned whether the students not living in the areas where there are community colleges or vocational educational schools would not benefit from this bill. He said that this would make it difficult for some to find a place to attend. Representative Krehbiel expressed that he felt that Representative Storm's motion was middle ground because there were not going to be that many go on to further their education past high school. He stated he opposed the substitute motion, and suggested that the Regents could come to the Legislature later and tell them if the numbers were getting out of hand. He said he supported Representative Storm's motion. Representative McLeland stated that he felt that the limitation of three per year was not really necessary, but if that is what it would take to get the bill passed out then he would support it.

Representative Tanner stated that the Legislature needed to put the bite on SRS to provide counseling services for these foster care kids, and thought the Committee should pass the bill out.

Representative Cook withdrew her substitute motion with the consent of Representative Phelps who had seconded the motion.

Committee discussion continued. Representative Storm closed on her motion to amend **HB 2956**, and the Chair called for the vote with eight (8) voting in favor and five (5) against. The motion passed.

Representative Krehbiel made a motion to amend the bill regarding the age limit beginning on line 26, page 1, changing it to read as “within two years following the date such applicant graduates from high school or receives their GED” striking the reference of reaching 18 years of age. The motion was seconded by Representative Reardon.

The Chair opened the floor for Committee discussion and comments. Committee members expressed concerns that the foster care kids are wards of the state and the responsibility lies therein, and that SRS needs to provide more and better guidance for high school students regarding post-secondary educational opportunities. After much discussion on various wording possibilities, Representative Krehbiel stated he wanted to move his motion as was stated. Chairperson Benlon called for the voice vote, and the Chair was undecided on the voice vote and called for a show of hands. The vote was tied seven (7) to seven (7), and the Chair voted in favor of the amendment. The motion carried.

Representative Storm made a motion to pass **HB 2956** out favorably as amended, and seconded by Representative Krehbiel. After brief Committee discussion, Representative Storm closed on her motion to pass the bill out favorably. Chairperson Benlon called for the voice vote, and the Chair again asked for clarification by a show of hands. The vote was tied six (6) to six (6), and the Chair voted in favor for passage. The motion carried.

Chairperson Benlon adjourned the meeting at 5:30 p.m. The next meeting of the House Higher Education Committee will be on call of the Chair.

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